



# MAPERS

Good morning, my name is Noah Smith, with Capitol Services, here to represent the Michigan Association of Retirement Systems, generally referred to as MAPERS. MAPERS represents more than a hundred local pension plans throughout the state of Michigan.

Although we appreciate Representative Jackson's interest in encouraging smaller broker-dealers and fund managers, MAPERS regrettably opposes the H-2 substitute to HB 5618 for two reasons that I will describe below:

- We believe that the **requirements in Sec. 13 E constitute an unfunded mandate**. This section would require each public pension plan to establish standards and procedures that would be applied to the review and evaluation of every contract proposal they receive with regards to whether the applicant is an emerging fund manager or emerging broker dealer. Furthermore, the section requires a report to the legislature on the methods and results of these standards and procedures. The report must disaggregate data by fund size or capitalization. While the expense of establishing such standards and procedures may be similar for pension plans of different asset size, smaller plans are more likely to have to contract out for this work because of their smaller staff sizes. The expense of compiling these reports would vary enormously based on asset size, with the larger systems, and we are not certain what the legislature would do with the data once they receive it.
- MAPERS is also concerned that the **legislation creates limits on a local pension boards' ability to make independent and prudent investment decisions, causing potential financial and legal liabilities for plans**. By legal liabilities, we mean that it may subject boards to legal challenges for failing to act in the best interest of the plan. The investment management process involves looking at performance, governance, track records, references, investment philosophy, style, and so forth, with investment decisions being carefully crafted at the local level to produce plan-specific results. A plan's fiduciary responsibility is to the plan and its participants and their beneficiaries.

MAPERS encourages broker/dealers and fund managers of all sizes to put their best foot forward and present what they have to offer to local pension plans. We would be glad to put together a discussion of this issue with the bill sponsor and MAPERS' legal council, but today must ask you for your "no" vote in moving this bill forward.

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